



JOINT BUDGET COMMITTEE STAFF FY 2018-19 BUDGET BRIEFING SUMMARY

Colorado General Assembly
Joint Budget Committee

Department of Revenue

The Department has three functional groups: the Taxation Business Group collects revenue for the state and for many local governments and assists taxpayers in tax related matters; the Division of Motor Vehicles regulates motor vehicle safety, issues personal identification documents, and regulates commercial vehicles; and the Enforcement Business Group regulates alcohol, tobacco, marijuana, horse racing and off-track betting, limited gaming, and automobile dealers and sales persons. The three functional groups are supported by the Executive Director's Office and Information Technology Divisions. The Department also operates the Colorado Lottery. The Department's FY 2017-18 appropriation represents approximately 1.2 percent of statewide operating appropriations and 1.0 percent of statewide General Fund appropriations.

FY 2017-18 APPROPRIATION AND FY 2018-19 REQUEST

DEPARTMENT OF REVENUE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2017-18 APPROPRIATION:						
SB 17-254 (Long Bill)	355,833,948	107,585,406	241,178,908	6,245,246	824,388	1,435.3
Other legislation	540,999	9,600	531,399	0	0	1.9
TOTAL	\$356,374,947	\$107,595,006	\$241,710,307	\$6,245,246	\$824,388	1,437.2
FY 2018-19 APPROPRIATION:						
FY 2017-18 Appropriation	\$356,374,947	107,595,006	\$241,710,307	\$6,245,246	\$824,388	1,437.2
R1 DRIVES System Maintenance and Support	2,600,000	0	2,600,000	0	0	0.0
R2 Armored Car Appropriation Increase	63,551	1,177	62,374	0	0	0.0
R3 Lottery Vendor Fees and Retail Compensation	4,028,785	0	4,028,785	0	0	0.0
R4 Liquor Enforcement Division Operating Increase	43,734	0	43,734	0	0	0.0
R5 Enforcement Business Group Realignment	0	1,908	(80,432)	78,524	0	0.0
R6 GenTax Fraud Manager Reduction	(600,000)	(600,000)	0	0	0	0.0
R7 Gross Conservation Easement Reduction	(1,216,425)	(1,216,425)	0	0	0	0.0
Revenue forecast adjustments	5,451,636	5,512,656	(61,020)	0	0	0.0
Centrally appropriated line items	1,192,918	557,958	636,434	(1,474)	0	0.0
Non-prioritized request items	31,072	10,673	20,399	0	0	0.0
Annualize prior year budget actions	(961,179)	(14,723)	(946,414)	(42)	0	0.0
Annualize prior year legislation	(377,057)	(172,208)	(204,849)	0	0	1.6
Indirect cost adjustment	(3,344)	(5,268)	5,268	(3,344)	0	0.0
TOTAL	\$366,628,638	\$111,670,754	\$247,814,586	\$6,318,910	\$824,388	1,438.8
INCREASE/(DECREASE)	\$10,253,691	\$4,075,748	\$6,104,279	\$73,664	\$0	1.6
Percentage Change	2.9%	3.8%	2.5%	1.2%	0.0%	0.1%

R1 DRIVES SYSTEM MAINTENANCE AND SUPPORT: The request includes \$2.6 million cash funds from several cash funds including the Licensing Services Cash Fund (LSCF) and the Colorado State Titling and Registration (CSTARS) account/Colorado DRIVES Vehicle Services account for FY 2018-19. This request will increase to \$6,240,000 in FY 2019-20 and will include annual contractual increases for inflation based on the Denver/Boulder Consumer Price Index (CPI) in out years. This request includes annual, operating funding for post-implementation hosting, maintenance, and support services provided by the vendor, FAST Enterprises, LLC, for the Driver License, Record, Identification, and Vehicle Enterprise Solution (DRIVES) system, previously funded as an information technology capital construction project.

R2 ARMORED CAR APPROPRIATION INCREASE: The request includes an increase of \$63,551 total funds including \$1,177 General Fund and \$62,374 cash funds from several cash funds, including the Licensing Services Cash Fund, the Limited Gaming Fund, and the Marijuana Cash Fund for FY 2018-19 and ongoing. The request will pay for increased rates for third-party armored car services purchased by the Department across several divisions. The increase comes as a result of the recent vendor solicitation process for this service.

R3 LOTTERY VENDOR FEES AND RETAIL COMPENSATION: The request includes an increase of \$4,028,785 cash funds from the Lottery Fund in FY 2018-19 and ongoing. Current projections identify a need of an additional \$1.7 million in vendor fees and \$2.3 million in retailer compensation to satisfy lottery contract provisions for vendors and retailers.

R4 LIQUOR ENFORCEMENT DIVISION OPERATING INCREASE: The request includes an increase of \$43,734 cash funds from the Liquor Enforcement Division and State Licensing Authority Cash Fund for FY 2018-19 and ongoing to support travel costs to improve compliance and enforcement operations statewide in remote areas.

R5 ENFORCEMENT BUSINESS GROUP REALIGNMENT: The request is for a realignment of 2.0 FTE from the Division of Gaming to the Administration section of the Enforcement Business Group (EBG) for FY 2018-19 and ongoing. The request is a net-neutral adjustment in total funds, including an increase of \$1,908 General Fund, a net increase of \$78,524 reappropriated funds, and a net decrease of \$80,432 cash funds. The positions will be financed through the indirect cost model for the purpose of allocating the costs proportionally across all EBG programs and funding sources.

R6 GENTAX FRAUD MANAGER REDUCTION: The request includes a decrease of \$600,000 General Fund in FY 2018-19 and ongoing. This item was appropriated in a FY 2015-16 supplemental (S2) and FY 2016-17 budget amendment (BA1) to implement a functional service in the GenTax system. The Department and vendor were unable to reach agreement so the service was not implemented.

R7 GROSS CONSERVATION EASEMENT REDUCTION: The request includes a decrease of \$1,216,425 General Fund for FY 2018-19 and ongoing. This appropriation was included in H.B. 11-1300 (Conservation Easement Tax Credit Dispute Resolution) for consultant work. The majority of the work has been completed and the appropriation for the consultant is no longer used.

REVENUE FORECAST ADJUSTMENTS: The request includes adjustments to reflect the September 2017 Revenue Forecast projected by the Governor's Office of State Planning and Budgeting for special purpose distribution line items including Cigarette Tax Rebate and Retail Marijuana Sales Tax Distribution to Local Governments.

CENTRALLY APPROPRIATED LINE ITEMS: The request includes an increase of \$1,192,918 total funds including \$557,958 General Fund related to employee benefits and other centrally appropriated items. This total includes the following changes:

CENTRALLY APPROPRIATED LINE ITEMS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
Salary survey adjustment	\$2,582,782	\$1,083,134	\$1,496,461	\$3,187	0.0
Health, life, and dental adjustment	684,365	372,860	316,978	(5,473)	0.0
Leased space adjustment	287,275	42,978	244,297	0	0.0
AED adjustment	180,980	40,916	139,656	408	0.0
SAED adjustment	180,980	40,916	139,656	408	0.0
Legal services adjustment	172,533	99,722	72,811	0	0.0
Workers' compensation adjustment	100,139	32,664	67,475	0	0.0
CORE adjustment	85,881	28,911	56,970	0	0.0
Payments to OIT adjustment	(2,741,966)	(1,085,673)	(1,656,293)	0	0.0
Capitol Complex leased space adjustment	(225,464)	(52,308)	(173,156)	0	0.0
Payment to risk management / property funds adjustment	(94,352)	(39,767)	(54,585)	0	0.0
Short-term disability adjustment	(9,011)	(5,122)	(3,885)	(4)	0.0
ALJ adjustment	(7,096)	0	(7,096)	0	0.0
Shift differential adjustment	(4,128)	(1,273)	(2,855)	0	0.0
TOTAL	\$1,192,918	\$557,958	\$636,434	(\$1,474)	0.0

NON-PRIORITIZED REQUEST ITEMS: The request includes adjustments related to budget requests made by other departments that affect the Department of Revenue in FY 2018-19, which are summarized in the following table.

NON-PRIORITIZED REQUEST ITEMS				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
NP2 Operating system suite	\$18,321	\$7,157	\$11,164	0.0
NP1 Cybersecurity liability insurance policy	8,880	3,516	5,364	0.0
NP3 Annual fleet vehicle request	3,871	0	3,871	0.0
TOTAL	\$31,072	\$10,673	\$20,399	0.0

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes a net decrease of \$961,179 total funds for prior year budget actions, summarized in the following table.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
Annualize FY18 R4 DMV Leased Space	(\$893,400)	\$0	(\$893,400)	\$0	0.0
Annualize FY18 R6 AID Regulatory Staff Increase	(33,182)	0	(33,182)	0	0.0
Annualize prior year salary survey	(25,637)	(10,992)	(14,615)	(30)	0.0
Annualize merit base pay	(8,960)	(3,731)	(5,217)	(12)	0.0
TOTAL	(\$961,179)	(\$14,723)	(\$946,414)	(\$42)	0.0

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes a net decrease of \$377,057 total funds to reflect the FY 2017-18 impact of bills passed in previous sessions, summarized in the following table.

ANNUALIZE PRIOR YEAR LEGISLATION				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
Annualize SB16-197 Liquor-licensed Drugstore Multiple	\$72,189	\$0	\$72,189	1.5
Annualize HB17-1212 Colorado Aviation Special License	913	0	913	0.0
Annualize HB17-1012 Pueblo Chile License Plate	912	0	912	0.0
Annualize HB17-1162 Outstanding Judgments and Drivers	(108,000)	0	(108,000)	0.0
Annualize HB16-1467 First Time Homebuyer Savings Acct	(84,493)	(84,493)	0	0.0
Annualize HB17-1367 Authorize Marijuana Clinical Research	(45,801)	0	(45,801)	0.0
Annualize HB16-1142 Rural Care Preceptors Tax Credit	(45,038)	(45,038)	0	0.0
Annualize SB17-192 Marijuana Business Efficiency Meas	(39,709)	(9,600)	(30,109)	0.1

ANNUALIZE PRIOR YEAR LEGISLATION				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
Annualize HB17-1027 Remove Fund Repeal and Clarify Orga	(33,750)	0	(33,750)	0.0
Annualize HB16-1194 First Time Farmer IT Deduction	(33,077)	(33,077)	0	0.0
Annualize SB17-240 Sunset Motor Vehicle Dealer Sales	(28,853)	0	(28,853)	0.0
Annualize HB17-1120 Alcohol Beverage License Higher Ed	(22,150)	0	(22,150)	0.0
Annualize HB17-1249 Penalties for Unlicensed MV Sales	(8,000)	0	(8,000)	0.0
Annualize HB17-1250 Renew and Expand Tax Checkoff	(2,200)	0	(2,200)	0.0
TOTAL	(\$377,057)	(172,208)	(\$204,849)	1.6

INDIRECT COST ADJUSTMENT: The request includes net adjustments to indirect costs across the Department.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

DEPARTMENT REQUEST ITEMS: This informational issue brief provides summaries of the Department's request items.

FOR MORE INFORMATION

JBC STAFF ANALYST: Alfredo Kemm
(303) 866-4549
alfredo.kemm@state.co.us

TO READ THE ENTIRE BRIEFING: http://leg.colorado.gov/sites/default/files/fy2018-19_revbrf.pdf